

Japan's Economic Development Status and the Enlightenment to China's Economic Development

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Abstract

Since New York "Plaza Accord" in the 1980s, the yen had continued to rise in value and Japan's economy had experienced a long period of malaise. In addition to the impact of the international financial crisis in 2008, the Fukushima power plant nuclear leak and the tsunami triggered by the major earthquake occurred in Japan in 2011 both hit the Japan's economy. In order to stimulate economic development, Abe, Japan's new government launched a series of radical monetary easing policies, flexible fiscal and tax policies, and large-scale economic stimulus policies in 2013. The new Japanese government attempted to change up to 15 years continuous deflation situation by exacerbating the depreciation of the yen. This paper studied the economic situation in Japan, did a depth analysis of the Abe government's economic policy adjustment and of Japan's economic development after the adjustment. At the same time, this paper pointed out the Japanese economic trends in the "Abe Economics" and the use for reference for China's economic development finally.

Keywords: *Japan's Economic Situation; China's Economic Development; Inspiration and Research*

From the beginning of the nineties of the last century, Japan's economy has gone through the most difficult period since World War II, what's more, the Japan earthquake and Fukushima power station nuclear leak hit Japan's economy in 2011 again. Despite the rapid economic recovery after the earthquake, Japan is still facing post-disaster reconstruction, processing of nuclear accidents, lack of electricity, high yen exchange rate problem. Coupled with World economic growth demonstrates the complicated unfavorable factors affected by financial crisis, Japan's economy is still picking up slowly. Although the system of organization is different in China and Japan, the economic development of the two countries have much in common. To study the lessons and experiences which Japan's economy experienced, will help China to face the excessive appreciation of the RMB, trade barriers, the debt crisis and other issues in the process of economic development and will promote China's economy to achieve steady and healthy development in the complex and volatile world economy situation.

1 THE PRESENT CHALLENGES FACING JAPAN'S ECONOMIC DEVELOPMENT

After World War II, the Japanese government established the "economic growth first" policy, considering economic development as the primary task, promoted the rapid development of the Japanese economy in the financial, technical and marketing support of the United States. In 1968, Japan's GNP exceeded the Western developed countries, ranking second in the world. In 1985, Japan had become the world's largest creditor, the yen had become the world's third-largest reserve currency. At the same time, the United States' economy showed signs of a serious recession dragged down by the arms race with the former Soviet Union, The United States' trade deficit had reached \$109 billion dollars in 1984, which accounts for about 34% of Japanese trade deficit. In order to solve the international payments imbalances of the United States with other countries, the United States invited the Finance

Ministers and Central Bank Governors of Japan, France, the United Kingdom and the Federal Republic of Germany to the meeting in New York Plaza Hotel in September 22, 1985. The package of agreements reached at this meeting, requiring each country should jointly intervene the foreign exchange market to adjust the foreign exchange rates, especially the yen and the mark should be sharply appreciated. Thus reversed the dollar overvalued situation effectively, reduced the exchange rate of U.S. dollar against major currencies orderly. After the signing of the Plaza Accord, the Japanese yen had revaluated against the dollar. The yen appreciated by 50% in 1985-1988, a large number of capital flowed into Japan, making the yen face enormous pressure. Since Japan's economic bubble began to burst in 1991, the Japanese economy had been in a long period of economic downturn, as economists call "the lost 20 years" and the slow recovery is still being. Japan's economy today has the following main features:

1.1 Bubble Economy Bursted, Economic Development Frustrated Again

Japanese economy in long-term downturn is slowly recovering, could be traced back to the impact of Japan's bubble economy burst, the "Plaza Accord" in 1985 is an important turning point. In 1980s, the Japanese economy had a "glorious 10 years" after the rapid growth in the post-war period. Japanese products were exported around the world, especially Formed a huge trade surplus with the United States. Although the United States forced Japan to reach export "voluntary restraint agreements", but the effect is still poor. U.S. trade deficit with Japan had exceeded \$ 100 billion by the end of 1984. In September 1985, the United States, Britain, France, Germany and Japan in New York signed the "Plaza Accord", forcing the yen sharply appreciated. The yen against the U.S. dollar almost doubled in 1988, a sudden jump from 238:1 to 128:1. On one hand, the appreciation of the yen caused the Japanese companies to engage in overseas investment wantonly, to purchase assets in U.S.. On the other hand, the decline in exports caused the decline in economic growth, the Japanese government had to cut interest rates aggressively, to implement extremely loose monetary policy. Coupled with the large number of foreign hot money inflowed into Japan, the price of financial assets and real estate soared. In five years, Japan's stock market price increased 3 times, real estate prices rose by 2.4 times, the state-owned assets almost doubled, the Japanese economy has shown signs of "dazzling splendor" in the short period. In 1990, Japan's land market value was equivalent to four times of the entire United States, only Tokyo Metropolitan premium was equivalent to the total premium of United States. But Japan's bubble economy began to break down in 1991, stock prices and real estate prices had been plummeted, a large number of bank assets had shrunk, non-performing loans increased, Japan's economy declined sharply, fell into a deep recession and was difficult to extricate themselves. This bubble economy burst was called "Japan's second defeat after World War II". The 1997 Asian financial crisis and the international financial crisis in 2008 after the burst of the bubble economy, caused Japanese economy worse, the bank non-performing loans protracted and the national financial was overwhelmed.

1.2 Proactive Fiscal Policy Exacerbates the Debt Crisis

Japanese government's debt is the highest in the world, the government debt accounted for 227% of the GDP in 2010. In developed countries, Japan's debt problem is the most serious. Successive Japanese governments implement proactive fiscal policies, stimulate economic growth through the expansion of public investment, resulted in the increase of Japanese government deficit. According to IMF statistics, Japan's public debt was 700 trillion yen in 2002, was nearly 1000 trillion yen by the end of 2012, which was 218% of Japan's GDP in that year, equivalent to 159% of the Greece debt, 128% of Italy debt, 107% of the U.S. debt, fortunately, 96% of the national debt is purchased by the Japanese domestic residents. Although the Japanese government repeatedly promised International community, expressed its determination to solve the deficit problem as soon as possible, and even advertised deadline to expresses its determination, Deficit of national debt was more and more and the debt crisis was worse the worse, the Japanese media compared the debt crisis accumulated by the Government as "the dark tunnel not see the export". To this end, the International rating agency has repeatedly lowered the credit rating of Japanese government bonds.

1.3 The Appreciation of the Yen Makes Trade Deficit Reach a New Heights

2012 Trade Statistics Bulletin Published by Japanese Finance Ministry showed that, the trade deficit was 6.92 trillion yen which deducted from exports and imports. The deficit amount was much higher than the highest record of 1980. On one hand, with the stop running of the nuclear power plant, imports of fuel such as liquefied natural gas used in thermal power increased dramatically. On the other hand, the global economic downturn and the appreciation of the

yen caused the decline in exports. Statistical Bulletin showed Japan's exports fell by 2.7% while imports increased by 3.8% in 2012. Among them, exports to China fell 10.8% to 11.5 trillion yen, while imports increased 2.7 percent to 15.03 trillion yen, a deficit of 3.52 trillion yen. Exports to the EU fell by nearly 15%, a deficit of 139.7 billion yen.

1.4 Too Few Foreign Investment Influence Innovation

Because of the European debt crisis, the appreciation of the yen weaken exports and the diplomatic dispute with China, affected the development of the Japanese economy, so that Japan's post-disaster economic recovery hopes on attracting foreign investment. Although Japan has taken to simplify the procedures for foreign investment, takes lower taxes, has got little success in attracting foreign investment. Lack of foreign companies and funds has directly affected the innovation capacity of Japan. Recently, the United Nations ranked the countries' FDI attractiveness according to the amount of countries' FDI, the result showed that Japan ranked the 132th in 182 economies in 2011, lower than the 95th in 1999, Japan's FDI accounted for only 3.8% of the GDP, 1/5 of U.S.. Why Japan's FDI is so little? According to a survey which was investigated by the Swiss international practice Development Institute in 2012, in the ranking of the openness to FDI by the international managers, Japan was ranked 47th in 59 countries, behind Kazakhstan and Colombia. Foreign companies' most common complaint for operating in Japan were expensiveness of rent and labor, lower English proficiency of employee, complicity of the technical standards for products and services.

2 THE JAPANESE GOVERNMENT'S STIMULATING POLICIES TO PROMOTE ECONOMIC DEVELOPMENT

In order to get rid of Japan's current situation of long-term economic slump, after the Government of the Japan Liberal Democratic Party in power in December 2012, the government take a series of "radical range of the financial easing policy, flexible financial and tax policies and large-scale economic stimulus policies", in order to achieve the strategic objectives of "nominal GDP growth of 3%" which was promised in the elections.

2.1 Co-ordinate Japan's Economic Policy, Carry out the "Indefinitely" Loose Monetary Policy

In the beginning of 2013, Shinzo Abe became the Prime Minister of Japan, the first thing was to restore Japan's economy Revitalization which was canceled under Democratic party, to be responsible for the overall coordination of economic policies in Japan and various government departments. Simultaneously, Abe restarted the Economic and Fiscal Policy meeting mechanism which has been frozen for more than three years. At the same time, the Japanese House of Representatives and the Senate voted Kuroda as Japan's central bank governor, formed the central bank's new leadership to implement and promote the new Japanese government's loose monetary policy, to reverse the decline of the Japanese economy, in order to pull the Japanese economy in a long-term sustainable development track.

In order to get rid of up to 15 years of deflation, Japan's new government proposed to raise the inflation target from 1% to 2% in 2013. In order to ensure the achievement of this objective, the Bank of Japan upgraded monetary easing policy on three occasions from September to December in 2012. The total amount of funds for the central bank to buy bonds and other financial assets increased to 101 trillion yen, and the Bank of Japan will buy a certain amount of financial assets monthly regularly from 2014, which is initially set monthly purchases to 13 trillion yen (about \$145.6 billion), of which long-term government bonds are about 2 trillion yen (about 22.4 billion U.S. dollars). Besides, it introduced plan to buy 1 year to 3-year bonds, may increase the purchase of more than 3-year bonds in the future. The "indefinitely" loose monetary policy of Japanese government is to accelerate the depreciation of the yen and to achieve competitive advantage in the global market.

2.2 Passed Legislation to Increase Investment in Post-disaster Reconstruction

The tsunami and the nuclear accident of the Fukushima power station triggered by Japan earthquake in 2011, hit Japanese economy seriously. To restore Japan's economic growth, the Japanese parliament passed "the Basic Law of renaissance", "the Act of Special bond issue" and "the Renewable Energy Special Measures Act" from June to August the same year, and raised reconstruction funds in accordance with the relevant laws and put the funds into the various reconstruction project constructions. In addition, Japan's parliament had passed three supplementary budgets

of 2011 in 2011, making the post-disaster reconstruction budget more than 2 billion yen, a huge amount. To ensure the financial support for post-disaster reconstruction, the Japanese government had improved the rate of income tax, corporation tax, tobacco tax and individual residents tax through legislation. Through the above-mentioned tax increases measures, the government plan to raise 10.5 trillion yen of the total budget of 12.1 trillion yen.

2.3 Accelerate the TPP Negotiations, Adjust the Foreign Trade Strategy

In the background of slow negotiations in the WTO Doha Round and in the face of the financial crisis and its aftermath, Japan made major adjustments in free trade strategy to revive the economy, sped up cross-talks with the United States and Europe, and announced that it will participate in US-led Trans-Pacific economic Partnership trade Agreement (TPP) officially. TPP is constructed by the United States and other 10 countries, is a high level trade agreements of close to zero tariffs. This zero tariff free trade negotiations could touch the most sensitive soft underbelly - agricultural products certainly. Japan has so far participated in the multi-line different forms of FTA negotiations, but rarely make concessions in the agricultural field. This is because the Japanese rice-based agricultural products are protected by the government for many years, which have no advantage of price competition basically. If foreign agricultural products come into the Japanese market, Japan's agricultural products would suffer a crushing defeat. This is why Naoto Kan, Yoshihiko Noda, the two previous cabinet delayed without making a decision. The current Japanese Prime Minister Shinzo Abe proposed to speed up the TPP negotiations, whose purpose is to further strengthen the Japan-US alliance, to counterweight to China in the economy and to achieve the goals of the Japan-US co-led foreign security and economic trade in the Asia-Pacific region.

2.4 "Abe Economics" Revival Policy has been Concerned

Recently, the new word of "Abe Economics" attracted much attention. The economic growth strategy centered by bold monetary policy, maneuver fiscal policy and stimulation of private investment become the three spindles of "Abe Economics". The release of Japan's revival policy of "Abe Economics" increases national confidence, but how much effective "Abe Economics" will get? A lot of Japanese economists believe that, "Abe Economics" will be helpful for economic recovery. First of all, Japan's output value created by a single labor has been higher than the developed countries of Europe and North America since this century. Investigated the condition of the Japanese economy in the past decade to 2012 before the implementation of "Abe Economics" carefully, although the decrease in the size of the labor force in Japan, the value created by individual workers increase of 3.08%, while the United States increased by only 0.37%, Germany has decreased by 0.25%. Secondly, the new government of Abe is doing exactly what many economists appealed the United States and Europe to do, that was a integrated approach including monetary, financial and economic structural restructure policies. Prime Minister Abe likened this as the three swords that single can be fractured, but the three together can't be fractured. Finally, Abe government's policy for economic growth is the most important in the three swords, including the restructuring the economy, improving productivity and increasing the labor force. Japanese government is trying to improve the productivity of the service sector, which is particularly important. "Abe economics" was praised by the Nobel laureate in economics, Columbia University Professor Stiglitz, who think that "Abe Economics" will enable the success of Japan's economic recovery strategy, because the country is to benefit from a good system, the labor force with top-level skills training and design inspiration education and in the most economically dynamic region in the world. Stiglitz also believed that Japan's domestic economic inequality problem is not as serious as American and European countries, as long as the new Abe government implemented the comprehensive approach properly, Japan's economic recovery can be pending.

3 ENLIGHTENMENT OF JAPAN'S ECONOMIC POLICY ADJUSTMENT TO CHINA'S ECONOMIC DEVELOPMENT

Despite some Japanese economists believed that the monetary easing policy implemented by Abe can't cure deep-seated problems of the Japanese economy, but for getting rid of the long-term downturn economic difficulties in Japan, "financial easing policy, flexible fiscal and tax policies and large-scale economic stimulus " taken by the Japanese government did receive some effect. The effect of financial easing policy swept away long-term slump of the market, showing the "Abe Quotes" that Japan's stock market rose and the depreciation of the yen. In the first

quarter, Japan's manufacturing sentiment index rose 4%, which is expected to end the deflation situation of 15 years, so that the depreciation of the yen become long-term trend. In view of this, China should fully learn from the painful lessons and valuable experience of Japan's economic development when China developed the national economy vigorously, we should do the following six points:

3.1 Recognize China's Basic National Conditions Clearly

Since the reform and opening up, China's economy has experienced 35 years of rapid growth, with China's peaceful rise, especially after the Olympic Games and the World Expo was successfully held, China's international status and influence has increased unprecedentedly. At present, many foreign media report that China already has the characteristics of the developed countries in many ways, China should take on more responsibilities and obligations in international affairs. In the international arena, there are two voices, one is to advocate Chinese "offering to kill theory" that China has entered the ranks of developed countries, the other is to advocate "China collapse theory" that China's economy is about to collapse. As Chinese, we must clearly understand China's basic national conditions and development orientation. Overall, China is still in the primary stage of socialism, and will be a developing country in the long-term, which has a large gap between neighboring Japan. China's basic national conditions of large population, weak foundation, lack of resources and uneven development has not been changed, the GDP per capita in the ranking of the world is still after one hundred, compared with developed countries we have the gap of some generations. Our goal is to build a moderately prosperous society in 2020, basically realize modernization in the middle of this century. Even in 2050, China's per capita income has just entered the lower level of the middle-income countries. In order to cross the threshold of the "middle income trap" and "Latin American countries trap", into the ranks of high-income countries, we also have to pay a long-term and unremitting hard work, and always keep a clear head.

3.2 Promote the Gradual and Orderly Appreciation of Renminbi

China has surpassed Japan to become the world's second largest economy and second largest trading exporter. China's huge surplus in international trade causes continuing voice of appreciation of Renminbi from the United States and other Western countries. These countries also claimed that China is manipulating its international exchange rates, which is exactly the same that the United States and other Western countries claimed the yen to appreciate in the eighties of last century. With the international strengthening of RMB appreciation expectation, large-scale international capital inflows and the continued accumulation of China's foreign exchange reserves, China is facing more serious appreciation and inflationary pressures. there are some similarities between China's current economic situation with Japan's in the eighties of last century, such as both in the context of global economic imbalances, both economies are in a stage of rapid development, the rapid growth of investment and exports become the two major driving forces of the country's economic growth, the rapid growth of foreign exchange reserves, real estate prices soars and etc. The Japanese economy remains in the doldrums since Japan and the United States signed the "Plaza Accord" the last century. In order to avoid repeating the mistakes of Japan, China should keep a clear mind to make the Renminbi gradual and orderly appreciate and ensure steady and healthy development of China's economy in the context of global trade in the face of the United States and other Western governments' pressure on RMB appreciation. China should push forward the reform of the RMB exchange rate formation mechanism actively and steadily, gradually increase the flexibility of the RMB exchange rate in accordance with the principles of initiative, progressive, controllable. It also should maintain the basic stability of the RMB exchange rate at a reasonable and balanced basis and prevent excessive speculation in the short term caused by the sharp appreciation of the Renminbi. China should actively adjust the structure of its foreign exchange reserves, reduce the proportion of dollar assets and hold diversified reserves. The appreciation of the RMB exchange rate should be compatible with the structural reforms of fostering the economic growth momentum. It should play its role to enable smooth flow of resources and the rapid increase of economic efficiency of internal production.

3.3 The Sino-Japanese Economic Cooperation are Highly Complementary, but the Outlook is Bleak

China and Japan have different social systems, are at different stages of economic development, China and Japan have the long-term relations of "political cold and economical hot" due to historical reasons. But Sino-Japanese

economy are highly complementary, Japan has advanced technology, management and personnel, China has abundant labor resources and a vast domestic market, which provide a huge space for Sino-Japanese economic cooperation in the future. Energy conservation, earthquake relief, environmental protection, technological innovation, etc., are of important cooperation for China and Japan, we should combine China's market advantage with Japan's advanced energy saving and environmental protection technology and management to expand bilateral economic cooperation. We should speed up FTA talks with Japan and South Korea and construction of free trade zones, increase the close cooperation with Japan in industry, academia and research, thus to enhance the overall level of China's economic development. However, since the Abe government introduced the New Economic Policy in early 2013 to accelerate depreciation of the yen, the Sino-Japanese bilateral trade volume is substantially reduced, Sino-Japanese trade showed double-digit declines in the first quarter of 2013, Chinese's export to Japan decreased of 3.6%, import from Japan decreased of 16.6%, the total Sino-Japanese trade fell to \$ 70.87 billion, a decrease of 10.7%. We can see that Sino-Japanese relations are deteriorated from two aspects of political and economic, the so-called "political cold and economic cold" situation is still continue, which is worth our attention.

3.4 Seizing the Opportunity Strongly, Upgrading the Industry Level

We must address the huge gap with Japan's economic development, seize the important strategic opportunities firmly, and take the development road with Chinese characteristics, build an innovative country. If you want to remain invincible in the international competition, it is necessary to change the extensive, labor-intensive mode of production, improve the technological content of products and brand quality, "Made in China" will constantly rise to the middle-end and high-end from the low-end. If China want to occupy an important position in the world's high-end manufacturing, become the world's manufacturing powerhouse, China should study the professionalism of the Japanese entrepreneurs, who used 99.99% of the energy in 0.01% of Product quality improvement for achieving truly excellence. Some studies showed that the product design and development must be close to the market demand, so as to better design products to meet the needs of the market. The latest research shows that there are the trend that industrial R&D centers of Japanese companies transfer to China and other countries. So we should seize this new opportunities of Cross-border transfer of industry, learn from the advantages and experience of Japan's economic development humbly, creatively use for ourselves, accelerate the transformation of China's economy and improvement of industry level.

3.5 Increase Domestic Demand and Reduce the Dependence on Foreign Trade

China and Japan are relatively resource-poor countries, are both led by export-oriented economy. External demand-led economic growth mode has a number of disadvantages, once the major importing countries economic development has problems and decrease in imported products, this will cause damage to the national economy and cause a slowdown in economic growth, at the same time, exporters will face the boycott measures from major trading nations, such as raising tariffs strictly, control the import license, forcing the appreciation of the currency of the exporting country and so on. With the impact of the international financial crisis and the Sino-US trade tariff barriers, the World Trade protectionism began to rise in the three major economies and other countries. In this context, China's economic growth mode which relied on external demand for a long time will face serious problems of the reduction of external demand, an increase in trade restrictions, which directly restricts the growth of China's economy. Therefore, we can't overly rely on foreign markets, we must correctly understand the domestic demand is the source of one country's economic growth. We should change the economic growth mode from relying on investment and export-led, to on "Troika" of consumption, investment and exports to promote economic growth, increase the consumption demand and investment demand, foster the platform economy and new commercial activities, form new economic growth points.

3.6 Emphasis on Ecological Civilization Construction and the Quality of Citizens, to Achieve the Harmonious Development of Man and Nature

China is one of the countries which exhaust the largest carbon dioxide in the world's, so there is serious environmental pollution problem in China, the energy conservation and emissions reduction is faced with severe situation. In accordance with the layout requirements of "five in one", we should learn from Japan's experience in

strengthening the construction of national environmental protection and earthquake disaster prevention, increase investment in energy saving and environmental protection, and strengthen the construction of ecological civilization to build a resource-saving and environment-friendly society and as an important criterion for the performance evaluation of government officials at all levels. The uncivilized behavior of Chinese tourists in foreign countries is criticized by many people. So we should pay attention to improve the quality in the construction of ecological civilization. Improving the quality of the citizens comprehensively in China has become a major task of our moral and spiritual civilization construction. At the same time of strengthening the rule of law and cracking down on illegal according to the law, we need further strengthen the moral and spiritual civilization construction and learn the calm spirit and good quality from Japanese when they faced the Fukushima nuclear power plant leak accident, grasp the quality of education in China with great efforts from the long-term perspective, speed up the pace with international standards and improve the overall level of civilization of the Chinese nation.

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